

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process IV

Docket No. 5-FE-104

COMMENTS OF THE INDUSTRIAL CUSTOMERS GROUP
TO COMMISSION STAFF'S MEMORANDUM REGARDING
PHASE 1 OF QUADRENNIAL PLANNING PROCESS IV

A. INTRODUCTION

The Wisconsin Industrial Energy Group, Inc. (WIEG), Midwest Food Products Association (MWFPA), and the Wisconsin Paper Council (WPC) (together, the “Industrial Customers Group” or ICG) appreciate the opportunity to provide feedback concerning the Focus on Energy Quadrennial Planning Process IV (“Quad IV”). Wisconsin state law requires the Public Service Commission of Wisconsin (the “Commission”) to review energy efficiency and renewable resource programs periodically.¹ The Commission issued an Order on December 16, 2021, establishing the scope of Quad IV.² On March 8, 2022, Commission Staff issued a memorandum on the first of three interconnected phases of Quad IV, seeking parties’ comments (the “Staff Memo” or “Memo”).³ Specifically, the Memo addresses the macro policies and priority topics the Commission identified for Phase I. For each of the macro policies, the Memo includes various Alternatives for the Commission’s consideration. Phases II and III are expected to address topics such as implementation issues at the micro level, cost effectiveness parameters, budgetary issues, and monitoring and evaluation issues.

¹ See Wis. Stat. § 196.374(3)(b)1.

² See Order in docket 5-FE-104, PSC REF#: 427426.

³ See Staff Memorandum in docket 5-FE-104, PSC REF#: 432286.

ICG's comments below are aimed at providing overarching recommendations in lieu of submitting specific recommendations regarding Alternatives at each macro policy level.

B. COMMENTS

1. ICG supports continuing to prioritize cost-effective energy and demand savings given the statutory funding cap on the Focus on Energy Program.

The ICG represents manufacturers that operate in competitive markets and are constantly seeking ways to manage their costs. They must use all resources—labor, materials, capital, and energy—efficiently in order to survive in competitive global markets. And of these, energy efficiency is one of the most important ways by which they manage their production costs. Consequently, the ICG values and utilizes Wisconsin's energy efficiency programs and recognizes the benefits which accrue from the programs throughout Wisconsin society and economy. Indeed, the Focus on Energy program has been touted as one of the most cost-effective energy efficiency programs in the country according to a study conducted by the Lawrence Berkeley National Laboratory in 2019.⁴ After comparing programs in 41 states, the study determined that the cost of savings associated with the Focus on Energy program was 1 cent per kilowatt hour, which, of all the programs included in the study was the highest rate of energy savings per dollar spent. The significant success of the Focus on Energy program is recognized by the Commission as well, as can be seen in the program's recent press releases, with quotes from Commissioners praising the value of the relatively high levels of cost effectiveness of the program.⁵ These observations are

⁴ See <https://www.wisbusiness.com/2019/focus-on-energy-cost-effectiveness-highlighted-in-new-study/>

⁵ See, e.g., <https://www.focusonenergy.com/evaluationresults>; <https://focusonenergy.com/newsroom/wisconsin-has-most-cost-effective-energy-efficiency-programs-nation>; <https://www.wisbusiness.com/2018/focus-on-energy-creates-lasting-economic-benefit-in-two-year-period/>; and <https://www.wispolitics.com/2018/focus-on-energy-generated-208-million-for-wisconsin-economy-in-2015-16/>

positive reinforcements of the Commission’s past Quadrennial Planning decisions to prioritize and focus on maximizing energy efficiency (including energy and demand) related savings.

The ICG supports and encourages the Commission to continue to prioritize energy and demand savings, and track the resulting avoided emissions. Continuing this approach is most compatible with existing statutory requirements in Wisconsin Stat. § 196.374(3)(b)1, which require in part that:

The commission shall give priority to programs that moderate the growth in electric and natural gas demand and usage, facilitate markets and assist market providers to achieve higher levels of energy efficiency, promote energy reliability and adequacy, avoid adverse environmental impacts from the use of energy, and promote rural economic development.

Given the specific legislative mandates as well as the funding cap prescribed by Wisconsin law,⁶ it is important to ensure that the Focus on Energy program efforts are concentrated on energy efficiency projects that maximize cost effectiveness. This approach may be more important now than ever before, as Wisconsin utilities have either retired, or are in the process of retiring, thousands of megawatts of generation. It is critical that Focus on Energy be guided by a macro policy that prioritizes projects that will help in cost effectively lowering energy and capacity needs.

Since the funding for the Focus on Energy program cannot be increased without a change to state law, it appears that incorporating other initiatives described in the Memo would be expected to result in the displacement of the much-needed emphasis on energy and demand savings programs, which continue to provide the biggest bang for the buck. In other words, some of the suggestions in the Memo would most likely “cannibalize” cost-effective initiatives that would

⁶ See Wis. Stat. § 196.374(3)(b)2.

otherwise be aimed at maximizing energy and demand savings through the Focus on Energy program. To avoid this outcome, ICG suggests that the costs of any new or expanded initiatives would come from reduced administration or measurement & verification budgets, rather than the most cost-effective incentive programs.

Consistent with past comments in Quadrennial Planning dockets, ICG strongly encourages the Commission to place emphasis on resource acquisition policies (with qualitative targets for market transformation) that result in cost effectively reducing energy and demand needs.⁷ Given escalating electricity costs, driven in large part by utilities' significant investments in generation and transmission infrastructure, cost-effective reductions in energy and demand usage provided by Focus on Energy programs will help mitigate rate impacts for all customers. It is especially important for large customers competing in global markets to mitigate the impact of Wisconsin's persistently high energy costs.

2. ICG supports introduction of additional utility tariff offerings for demand response and related transparency of information.

One of the most effective and fundamental ways by which utilities can help reduce energy and demand usage is by offering accurate pricing signals and additional demand response related rate options. Such initiatives not only help in improving competitiveness for manufacturers, they also help reduce costs for other customers on utility systems by reducing demand in response to pricing signals, which in turn reduces the need for additional infrastructure.

ICG has particularly appreciated the Commission's efforts in advancing real time pricing rate options to help regain industry competitiveness and strongly encourages the Commission to continue supporting these and similar endeavors. In this regard, many of ICG's members have cited an interest in obtaining more granular and forward-looking information with respect to

⁷ See ICG comments in dockets 5-FE-100 (PSC REF#: 200394) and 5-FE-101 (PSC REF#: 341146)

American Transmission Company (ATC) system peaks on a monthly basis. Avoiding these peaks results in lowering the costs that ATC charges the utilities and reduces the need for more transmission. At present, the Midcontinent Independent System Operator (MISO) provides a seven day-ahead load forecast by combining ATC footprint's load information (Local Resource Zone 2) with that of Lower Michigan's load (Local Resource Zone 7).⁸ This combination significantly diminishes the value of the information and reduces the ability to recognize and respond to ATC's system peak conditions. ICG encourages the Commission to help facilitate more transparency in load forecasts where ATC's load is separated from Lower Michigan load in the seven day-ahead load forecasts.

3. ICG believes that consideration of Performance Incentive Mechanism (PIM) is outside the scope of this docket.

As indicated in the Memo, Wisconsin Energy Distribution and Technology Initiative (WEDTI) recommended statutory revisions to introduce PIMs.⁹ Notwithstanding this recommendation, if the PIMs concept is pursued, it requires thorough vetting and careful consideration to ensure there are no unintended consequences. Consequently, ICG believes that PIMs are outside of the scope of this docket and warrant additional scrutiny from stakeholders.

4. ICG encourages increased transparency in utility system planning and reporting on renewable percentage statistics.

In order to establish appropriate policy regarding energy efficiency initiatives, it would be extremely valuable if a voluntary process was established to increase transparency in utilities' long term resource plans. Such insight would assist the Commission in accordingly establishing targeted energy and demand savings goals. ICG members have also indicated an interest in public

⁸ MISO's Local Resource Zone 2 consists of the ATC footprint which includes the eastern half of Wisconsin and Michigan's Upper Peninsula. Local Resource 7 consists of Michigan Electric Transmission Company's (METC) footprint, which includes Michigan's Lower Peninsula.

⁹ See Memo pages 57 – 58.

and easily accessible information regarding each utility's renewable generation statistics and related certification. Such information is already available since utilities track and provide an annual status report of meeting the Renewable Portfolio Standard. It would be helpful for customers to have ready access to such reporting on the Commission's and each utility's website respectively.

C. CONCLUSION

ICG appreciates the opportunity to comment on the Commission Staff's Memorandum for Phase 1.

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